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Message Text

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ORIGIN EUR-12

INFO OCT-01 NEA-11 ISO-00 SIG-03 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
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INFO AMEMBASSY ROME
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AMEMBASSY TRIPOLI
AMEMBASSY LONDON
AMEMBASSY ALGIERS
USMISSION USNATO

C O N F I D E N T I A L STATE 247515

E.O. 11652:GDS

TAGS: PFOR, EFIN, PEPR, US, MT

SUBJECT: MALTA: GOM OFFICIAL SAYS TILT TOWARD ARABS
APPEARS INEVITABLE

SUMMARY: GOM OFFICIAL EXPRESSED DISAPPOINTMENT THAT EUROPEANS AND US HAVE NOT MOVED IN TIME TO PLEDGE NECESSARY FINANCIAL SUPPORT TO PERMIT MALTA TO ADOPT STANCE OF BALANCED NEUTRALITY. HE STATED ARABS (LIBYANS AND ALGERIANS) WERE GOM'S ONLY ALTERNATIVE, INDICATED AGREEMENT WITH THEM APPEARED VERY CLOSE, AND SAID THIS BOUND TO TILT MALTESE POLICY IN ARAB DIRECTION. DEPT OFFS
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EXPLAINED US POSITION FAVORING EUROPEAN ORIENTED NEUTRAL MALTA SUPPORTED BY EUROPEAN NEIGHBORS WITH US ASSISTANCE COMING IN FORM OF ENCOURAGEMENT OF PRIVATE INVESTMENT.
END SUMMARY.

1. AT OUR INVITATION, LINO SPITERI, DEPUTY GOVERNOR OF BANK OF MALTA PRESENTLY IN US FOR WORLD BANK/IMF MEETINGS,

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CALLED ON DEPT OFFS SEPTEMBER 27. SPITERI ACCOMPANIED
BY MALTESE CHARGE AGIUS.

2. IN RESPONSE TO OUR QUESTIONS, SPITERI REVIEWED THE
ECONOMIC SITUATION IN MALTA. ALTHOUGH HE STRESSED HIS
UNOFFICIAL ROLE, HE OFFERED AN ELOQUENT RESTATEMENT OF

MALTA'S NEED FOR DIRECT BUDGETARY ASSISTANCE TO REPLACE
REVENUE FROM EXPIRING NATO BASE AGREEMENT. HE INSISTED
THAT DIRECT ASSISTANCE WAS THE ONLY ACCEPTABLE SOLUTION TO
THE ECONOMIC DISLOCATION THAT WILL RESULT FROM THE BASE
CLOSING. HE REJECTED PROJECT OR LOAN ASSISTANCE AS A
SUBSTITUTE, CITING MALTA'S NEGATIVE EXPERIENCE WITH A
WORLD BANK-FUNDED DESALINIZATION PLANT IN THE EARLY
1960S. THAT PROJECT THREATENED MALTESE SOVEREIGNTY AND
CREATED A "MUDDLE" THAT IS STILL NOT SOLVED. (SPITERI
DID COMMENT FAVORABLY ON A RECENT FRG PROJECT THAT
PROVIDED STAFF SUPPORT TO ATTRACT GERMAN INVESTMENT.)

3. DEPT OFFS REVIEWED US POSITION THAT MALTA'S HIGH
PER CAPITA INCOME (DOLS 2,000 PER YEAR) PLACED IT OUTSIDE
US FOREIGN ASSISTANCE GUIDELINES. WE STRESSED US VIEW
THAT MALTA IS PRIMARILY A EUROPEAN PROBLEM REQUIRING A
EUROPEAN SOLUTION, AND STATED US WOULD CONTINUE TO URGE
EUROPEANS TO OFFER ASSISTANCE AND WOULD ENCOURAGE AMERICAN
PRIVATE INVESTMENT IN MALTA. DIRECT BUDGETARY ASSISTANCE
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HOWEVER, WAS NOT AN OPTION, UNDER CURRENT GUIDELINES AND IN
VIEW OF SEVERE BUDGETARY RESTRAINTS.

4. SPITERI EXPRESSED SURPRISE AT THIS POSITION. HE ASKED
IF IT REPRESENTED A BACKING OFF FROM PRESIDENT CARTER'S
EXPRESSION OF SUPPORT TO MINTOFF (IN LETTER OF APRIL 18,
1978). WE RESPONDED PRESIDENT'S LETTER HAD BEEN BROADLY
INTERPRETED BY THE MALTESE, AND COULD NOT BE TAKEN AS
OFFER OF DIRECT ASSISTANCE, AND THIS HAD BEEN MADE CLEAR TO
GOM ON SEVERAL OCCASIONS. RATHER, LETTER WELCOMED
MINTOFF'S GOAL OF A NEUTRAL MALTA, OFFERED US
ENCOURAGEMENT FOR EUROPEAN ASSISTANCE, AND PRIVATE US
INVESTMENT.

5. SPITERI ASKED WHAT SPECIFIC ACTIONS USG HAD TAKEN
TO PROMOTE PRIVATE US INVESTMENT IN MALTA. BOTH HE AND
AGIUS COMMENTED THAT US INVESTORS ALWAYS BACKED OFF AT THE
LAST MINUTE FOR "MYSTERIOUS REASONS." THEY THOUGHT
BRITISH AND ISRAELIS WERE PROBABLY RESPONSIBLE FOR
POISONING THE INVESTMENT WATERS. FURTHER, SPITERI WAS
DISAPPOINTED IN US EFFORTS TO PRESS THE EUROPEANS TO BE
MORE FORTHCOMING. HE AGREED IN THEORY THAT MALTA WAS A

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EUROPEAN PROBLEM, BUT HE FELT THE EUROPEAN RESPONSE COULD BE SHAPED BY THE US. WESTERN NATIONS, INCLUDING THE US, SPITERI THOUGHT, DID NOT RECOGNIZE THE PROCESS OF REVERSE COLONIALISM TAKING PLACE IN AFRICA. AS ANTI-DEMOCRATIC

FORCES MOVED NORTH FROM SOUTHERN AFRICA, MALTA COULD NOT HELP BUT FEEL THE RIPPLES. TO KEEP MALTA PROPERLY ORIENTED BETWEEN EUROPE AND AFRICA, THE BURDEN OF

ASSISTANCE WOULD HAVE TO BE SHARED BY THE WEST AND BY THE ARABS. THIS WAS MINTOFF'S GOAL OF "BALANCED NEUTRALITY." THE ALTERNATIVE OF "STRICT NEUTRALITY" WOULD TILT MALTA TOWARD THE ARAB WORLD, SINCE IT WOULD BE HEAVILY DEPENDENT ON LIBYAN AND ALGERIAN AID WHICH COULD NOT HELP BUT
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LEAVE ITS INFLUENCE ON GOM.

6. IN SPITERI'S PERSONAL VIEW, MALTA HAD ALREADY WAITED TOO LONG FOR A COMMITMENT OF US OR EUROPEAN SUPPORT. THE ONLY ALTERNATIVE IN HIS OPINION WAS TO ACCEPT OFFERS OF AID FROM THE ARABS. WHEN ASKED TO ELABORATE ON THESE OFFERS, SPITERI SAID LIBYA HAD PROMISED "BUDGET ASSISTANCE IN THE AMOUNT AND KIND WE NEED." THE ALGERIANS HAD ALSO OFFERED SUPPORT. SPITERI WAS SURPRISED THAT MINTOFF HAD WAITED SO LONG TO MAKE A DECISION, BUT ATTRIBUTED THIS TO MINTOFF'S STRONG DESIRE TO MAINTAIN EUROPEAN ORIENTATION FOR MALTA. HE NOTED GOM DEPUTY PM CASSAR WAS AGAIN IN LIBYA FOR AID DISCUSSIONS AND OPINED AGREEMENT WAS VERY NEAR. FINALLY, SPITERI SAID HE HAD CONCLUDED THAT EUROPEAN "PROCRASTINATION" IN OFFERING SUPPORT TO MALTA MIGHT BE BASED ON THE MISTAKEN BELIEF THAT MINTOFF MIGHT NOT BE AROUND VERY LONG. HE AGREED THAT MINTOFF WAS DIFFICULT TO DEAL WITH, BUT SAID IT WOULD BE WRONG TO THINK HIS SUCCESSORS WOULD VIEW MALTA'S NEEDS ANY DIFFERENTLY. IN ANY CASE, SPITERI EXPECTED MINTOFF TO DOMINATE THE POLITICAL SCENE FOR A LONG TIME TO COME. HE DECLARED THAT MINTOFF'S POLICIES ENJOYED BROAD PUBLIC SUPPORT AND TILT TO ARABS, SHOULD IT COME ABOUT, HOWEVER DISTASTEFUL, WOULD BE ACCEPTED SINCE THERE APPEARED TO BE NO ALTERNATIVE.

7. DEPT OFFS REPEATED US INTEREST IN A NEUTRAL EUROPEAN ORIENTED MALTA, WITH NECESSARY AID PROVIDED BY EUROPEAN NEIGHBORS. WE REITERATED THAT WE COULD CONTINUE TO ENCOURAGE EUROPEANS TO BE FORTHCOMING, AND, FROM US SIDE, TO ENCOURAGE PRIVATE US INVESTMENT. CHRISTOPHER

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